

Township of Deerfield

Lapeer County, Michigan

Audited Financial Report

March 31, 2005

Lehn L. King

**Certified Public Accountant
Marlette, Michigan**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Deerfield	County Lapeer
Audit Date 6/28/05	Opinion Date 6/29/05	Date Accountant Report Submitted to State: 8/18/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

Lehn L. King, C.P.A.

Street Address

3531 Main Street

City

Marlette

State

MI

ZIP

48453

Accountant Signature

Date

7/12/05

Township of Deerfield
Annual Financial Report
For The Fiscal Year Ended March 31, 2005

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Members of the Township Board
Township of Deerfield
Lapeer County, Michigan

Independent Auditor's Report

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Deerfield, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Deerfield, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluation the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Deerfield, Michigan as of March 31, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Deerfield, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of April 1, 2004.

Lehn King

Lehn L. King
Certified Public Accountant

June 29, 2005

Township of Deerfield

North Branch, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the Township of Deerfield's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2005. Please read it in conjunction with the Township's financial statements.

Financial Highlights

The Township is in a good financial position with a General Fund Balance of \$465,569.

However, the Township budget for the upcoming year could experience expenditures exceeding the revenues, thus, using up some of the current fund balance. The State anticipates cutting State Shared Revenues and costs for Fire Protection, Road Maintenance, Insurance and other Township activities are rising. So, even though the Township is in stable financial position, good financial planning is necessary for the future years.

Using this Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No.34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the Township's annual report.

The Township as a Whole

The Township of Deerfield's fund balances are as follows:

	<u>March 31,</u> <u>2005</u>	<u>March 31,</u> <u>2004</u>
General Fund	\$ 465,569	\$ 545,452
Cemetery Fund	14,619	13,306
Fire Department Fund	96,200	115,044
Road Resurfacing Project	29,656	23,376
Revolving Improvement Fund	245,630	143,026
Barnes Lake Fund	84,123	115,172
Police Equipment Fund	24,773	23,999
Total for Township	<u>\$ 960,570</u>	<u>\$ 979,375</u>

Township of Deerfield

North Branch, Michigan

Governmental Activities

The Township of Deerfield's Revenues and Expenditures can be summarized as follows:

	<u>General Fund</u>	<u>Fire Department Fund</u>	<u>Revolving Improvement Fund</u>
Fund Balance - Beginning of Year	\$ 545,452	\$ 115,044	\$ 143,026
Revenue Collected			
Intergovernmental Revenue	387,676	-	-
Property Taxes / Special Assessments	228,625	93,728	-
Charges for Services	12,473	8,917	-
Transfers	-	12,353	190,722
Other	50,394	19,209	558
Total Revenue Collected	<u>679,168</u>	<u>134,207</u>	<u>191,280</u>
Expenditures			
General Government	371,075	-	-
Public Safety	159,296	85,217	-
Public Works	18,010	-	30,203
Recreation & Culture	1,490	-	-
Capital Outlay	6,105	28,193	-
Debt Service	-	39,641	58,476
Transfers	203,075	-	-
Total Expenditures	<u>759,051</u>	<u>153,051</u>	<u>88,679</u>
Fund Balance - End of Year	<u><u>\$ 465,569</u></u>	<u><u>\$ 96,200</u></u>	<u><u>\$ 245,627</u></u>

Township of Deerfield

North Branch, Michigan

Economic Factors and Next Year's Budget and Rates

The Township of Deerfield's 2005/2006 adopted budget is as follows:

	<u>General Fund</u>	<u>Fire Department Fund</u>	<u>Revolving Improvement Fund</u>
Revenue			
Intergovernmental Revenue	\$ 393,000	\$ -	\$ -
Property Taxes / Special Assessments	235,600	91,400	-
Charges for Services	48,450	9,000	-
Transfers	-	-	190,000
Other	14,500	20,000	-
Total Revenue Collected	<u>691,550</u>	<u>120,400</u>	<u>190,000</u>
Expenditures			
General Government	323,080	-	-
Public Safety	126,220	59,900	-
Public Works	3,900	-	190,000
Recreation & Culture	1,350	-	-
Other Functions	87,000	-	-
Capital Outlay	-	24,466	-
Debt Service	-	39,642	-
Transfers	190,000	-	-
Total Expenditures	<u>731,550</u>	<u>124,008</u>	<u>190,000</u>
Net Over/Under Budget	<u>\$ (40,000)</u>	<u>\$ (3,608)</u>	<u>\$ -</u>

The Township of Deerfield's General Fund budget for next year is approximately the same budget as a year ago.

Contacting the Township

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Township office at 30 Burnside Road, North Branch, Michigan or by telephone at (810) 793-6700.

Keith Mercer
Township of Deerfield Supervisor

Township of Deerfield

Statement of Net Assets (Deficit)

March 31, 2005

	<u>Primary Government Governmental Activities</u>
<u>Assets</u>	
Cash & Cash Equivalents	\$ 934,226.00
Receivables:	
Property Taxes	38,831.22
Special Assessments	46,389.96
FEMA Grant	117,900.00
Prepaid Expenses	4,502.00
Due From Other Funds	525.00
Capital Assets (Net of Accumulated Depreciation)	<u>1,095,687.45</u>
 Total Assets	 2,238,061.63
 <u>Liabilities</u>	
Accounts Payable	\$ 17,474.49
Due To Other Funds	43.51
Accrued Interest Payable	12,827.00
Current Portion of Long-Term Debt	85,040.00
Long-Term Debt	<u>343,881.07</u>
 Total Liabilities	 <u>459,266.07</u>
 Net Assets (Deficit)	
Invested in Capital Assets - Net of Related Debt	666,766.38
Unrestricted	<u>1,112,029.18</u>
 Total Net Assets (Deficit)	 <u><u>\$ 1,778,795.56</u></u>

The notes are an integral part of the statements.

Township of Deerfield

Statement of Activities

For the Year Ended March 31, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue & Changes in Net Assets
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 394,418.35	\$ 14,397.80	\$ -	\$ -	\$ (380,020.55)
Public Safety	278,946.63	8,917.50	117,900.00	-	(152,129.13)
Public Works	85,303.63	-	-	-	(85,303.63)
Recreation & Culture	1,489.59	-	-	-	(1,489.59)
Interest on Long-Term Debt	37,048.20	-	-	-	(37,048.20)
Total Governmental Activities	\$ 797,206.40	\$ 23,315.30	\$ 117,900.00	\$ -	(655,991.10)
General Revenues:					
Property Taxes					\$ 228,625.16
Special Assessments					99,728.00
State Shared Revenues					387,676.00
Interest					8,246.88
Other Revenues					69,050.76
Transfers					(0.00)
Total General Revenues, Special Items & Transfers					793,326.80
Change in Net Assets					137,335.70
Net Assets (Deficit) - Beginning of Year					1,641,459.86
Net Assets (Deficit) - End of Year					\$ 1,778,795.56

The notes are an integral part of the statements.

Township of Deerfield

Governmental Funds
Balance Sheet
March 31, 2005

	General Fund	Cemetery Fund	Fire Department Fund	Barnes Lake Fund	Revolving Improvement Fund	Police Equipment Fund	Road Resurfacing Fund	Total Governmental Funds
Assets								
Cash & Certificates of Deposit	\$ 445,892.09	\$ 14,619.36	\$ 90,213.33	\$ 84,122.99	\$ 245,626.69	\$ 24,772.87	\$ 28,978.67	\$ 934,226.00
Property Taxes Receivable	25,715.52	-	12,438.68	-	-	-	677.02	38,831.22
Special Assessment Receivable	-	-	-	-	-	-	46,389.96	46,389.96
FEMA Grant Receivable	-	-	117,900.00	-	-	-	-	117,900.00
Prepaid Expenses	4,502.00	-	-	-	-	-	-	4,502.00
Due From Other Funds	525.00	-	-	-	-	-	-	525.00
Total Assets	\$ 476,634.61	\$ 14,619.36	\$ 220,552.01	\$ 84,122.99	\$ 245,626.69	\$ 24,772.87	\$ 76,045.65	\$ 1,142,374.18
Liabilities & Fund Equity								
Liabilities								
Accounts Payable	\$ 11,022.24	\$ -	\$ 6,452.25	\$ -	\$ -	\$ -	\$ -	\$ 17,474.49
Deferred Revenue	-	-	117,900.00	-	-	-	46,389.96	164,289.96
Due To Other Funds	43.51	-	-	-	-	-	-	43.51
Total Liabilities	11,065.75	-	124,352.25	-	-	-	46,389.96	181,807.96
Fund Equity								
Fund Balances								
- Unreserved & Undesignated	465,568.86	14,619.36	96,199.76	84,122.99	245,626.69	24,772.87	29,655.69	960,566.22
Total Fund Balances	465,568.86	14,619.36	96,199.76	84,122.99	245,626.69	24,772.87	29,655.69	960,566.22
Total Liabilities & Fund Equity	\$ 476,634.61	\$ 14,619.36	\$ 220,552.01	\$ 84,122.99	\$ 245,626.69	\$ 24,772.87	\$ 76,045.65	\$ 1,142,374.18

The notes are an integral part of the statements.

Township of Deerfield
Governmental Funds
Reconciliation of Fund Balances to the
Statement of Net Assets (Deficit)
For The Year Ended March 31, 2005

Total Fund Balances for Governmental Funds	\$ 960,566.22
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Amounts reported for Governmental Activities in the Statement of
Net Assets (Deficit) are different because:

Capital Assets used in Governmental Activities are not Financial Resources and are not reported in the Funds	1,095,687.45
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Special assessment receivables are expected to be collected over several years, and are not available to pay for current year expenditures	164,289.96
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Long-Term Bonds Payable are not due and payable in the current period and are not reported in the Funds	(428,921.07)
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Accrued Interest Payable is not reported in the Funds	<u>(12,827.00)</u>
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Net Assets of Governmental Activities	<u><u>\$ 1,778,795.56</u></u>
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The notes are an integral part of the statements.

Township of Deerfield

Governmental Funds
Statement of Revenues, Expenditures, and Changes
in Fund Balances
For The Year Ended March 31, 2005

	General Fund	Cemetery Fund	Fire Department Fund	Barnes Lake Fund	Revolving Improvement Fund	Police Equipment Fund	Road Resurfacing Fund	Total Governmental Funds
Revenues								
Property Taxes	\$ 228,625.16	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 228,625.16
State Shared Revenue	387,676.00	-	-	-	-	-	-	387,676.00
Special Assessments	-	-	93,728.00	-	-	-	-	93,728.00
Charges for Services	12,472.80	1,925.00	8,917.50	-	-	6,000.00	14,246.86	113,974.86
Interest Earnings	6,860.04	55.55	195.57	-	-	-	-	23,315.30
Other Revenues	43,534.29	6,503.20	19,013.27	375.65	557.88	129.46	72.73	8,246.88
Total Revenues	679,168.29	8,483.75	121,854.34	375.65	557.88	6,129.46	14,319.59	830,888.96
Expenditures								
General Government	371,075.47	7,170.88	-	-	-	-	-	378,246.35
Public Safety	159,296.46	-	85,217.18	-	-	5,355.99	-	249,869.63
Publics Works	18,009.62	-	-	31,424.34	30,202.67	-	-	79,636.63
Recreation & Culture	1,489.59	-	-	-	-	-	-	1,489.59
Capital Outlay	6,105.25	-	28,193.20	-	-	-	-	34,298.45
Debt Service - Principal	-	-	26,935.93	-	50,000.00	-	5,000.00	81,935.93
Debt Service - Interest	-	-	12,705.20	-	8,476.00	-	3,040.00	24,221.20
Total Expenditures	555,976.39	7,170.88	153,051.51	31,424.34	88,678.67	5,355.99	8,040.00	849,697.78
Excess of Revenues Over (Under) Expenditures	123,191.90	1,312.87	(31,197.17)	(31,048.69)	(88,120.79)	773.47	6,279.59	(18,808.82)
Other Financing Sources (Uses)								
Operating Transfers In (Out)	(203,074.88)	-	12,352.92	-	190,721.96	-	-	(0.00)
Net Change in Fund Balances	(79,882.98)	1,312.87	(18,844.25)	(31,048.69)	102,601.17	773.47	6,279.59	(18,808.82)
Fund Balances - Beginning of Year	545,451.84	13,306.49	115,044.01	115,171.68	143,025.52	23,999.40	23,376.10	979,375.04
Fund Balances - End of Year	\$ 465,568.86	\$ 14,619.36	\$ 96,199.76	\$ 84,122.99	\$ 245,626.69	\$ 24,772.87	\$ 29,655.69	\$ 660,510.97

The notes are an integral part of the statements.

Township of Deerfield
Governmental Funds
Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Year Ended March 31, 2005

Net Change in Fund Balances - Total Governmental Funds **\$ (18,808.82)**

Amounts reported for Governmental Activities in the Statement of
Activities are different because:

Governmental Funds report Capital Outlays as Expenditures;
in the Statement of Activities, these costs are capitalized and
allocated over their estimated useful lives as Depreciation 34,298.45

Special assessment revenues are recorded in the statement of activities
when the assessment is set; they are not reported in the funds until
collected or collectible within 60 days of year end 103,653.14

Repayment of Bond Principal is an Expenditure in the Governmental
Funds, but not in the Statement of Activities (where it
reduces Long-Term Debt) 81,935.93

Interest Expense is reported in the Statement of Activities
when a Liability is incurred; they are reported in the
Governmental Funds only when payment is due (12,827.00)

Depreciation is an Expenditure for the Statement of
Activities, but is not reported in the Governmental Funds (50,916.00)

Net Assets of Governmental Activities **\$ 137,335.70**

The notes are an integral part of the statements.

Township of Deerfield

Statement of Net Assets (Deficit)

Fiduciary Funds

March 31, 2005

	Fiduciary Fund Types		
	Agency Funds		
	Trust & Agency Fund	Current Tax Collection Fund	Totals March 31, 2005
<u>Assets</u>			
Cash - Savings & Certificates	\$ 7,096.49	\$ 525.00	\$ 7,621.49
Due From Other Funds	43.51	-	43.51
<u>Total Assets</u>	<u>\$ 7,140.00</u>	<u>\$ 525.00</u>	<u>\$ 7,665.00</u>
<u>Liabilities & Fund Balance</u>			
<u>Liabilities</u>			
Due To Other Funds	\$ -	\$ 525.00	\$ 525.00
Due To Others	7,140.00	-	7,140.00
<u>Total Liabilities</u>	<u>7,140.00</u>	<u>525.00</u>	<u>7,665.00</u>
<u>Fund Balances</u>			
Unreserved & Undesignated	-	-	-
<u>Total Fund Balances</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total Liabilities & Fund Balances</u>	<u>\$ 7,140.00</u>	<u>\$ 525.00</u>	<u>\$ 7,665.00</u>

The notes are an integral part of the statements.

Township of Deerfield
Notes to the Financial Statements
For The Year Ended March 31, 2005

The accounting methods and procedures adopted by the Township of Deerfield, Lapeer County, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Townships Comprehensive Annual Financial Report.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Township was incorporated under the laws of the State of Michigan and operates as a General Law Township, with a Township Board form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township (the primary government) and its component units. The component units discussed below are included in the Township reporting entity because of the significance of their operational or financial relationships with the Township.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or discretely presented component units.

Blended Component Units - The Barnes Lake Improvement Fund, an entity legally separate from the Township, is governed by a Board of members. For financial reporting purposes, the Barnes Lake Improvement Fund is reported as if it were part of the Township's operations because its funding is collected within the Township. However, all decisions and subsequent responsibility for those decisions regarding the control of Barnes Lake lies within the Barnes Lake Improvement Board.

Government-wide and Fund Statements Fund

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the Township (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Cemetery Operating Fund - This fund accounts for the sale of lots, grave openings and general maintenance of the cemetery. Funding is provided primarily through lot sales, grave openings and interest earnings.

Fire Fund - The fund provides for the public safety service of fire rescue. Funding is provided primarily from a fire assessment on the tax roll and charges for fire runs.

Township of Deerfield
Notes to the Financial Statements
For The Year Ended March 31, 2005

Barnes Lake Fund – This fund (Blended Component Unit) accounts for the weed control and general maintenance of Barnes Lake. Funding is provided primarily through a special assessment.

Revolving Improvement Fund – This fund accounts for the payment of general road maintenance and bond payments. Funding is provided through contributions from the General Fund.

Police Equipment Fund - This fund accounts for the payment of the police car lease. Funding is provided primarily through the collection of a special assessment.

Road Resurfacing Debt Service Fund – This fund accounts for the payment of the debt service of the road resurfacing bond. Funding is provided primarily through a special assessment.

Additionally, the Township reports the following fund types:

Trust & Agency Funds - The Trust & Agency Fund accounts for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, or other governments.

Current Tax Collection Fund – The fund accounts for the collection and disbursement of taxes.

Measurement Focus and Basis of Accounting

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Cash - The Township does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Township's investments.

Investments - Debt securities are valued at cost since it is generally the policy of the Township to hold such investments until they mature.

Due to and Due From Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property Tax Revenues - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

Township of Deerfield
Notes to the Financial Statements
For The Year Ended March 31, 2005

Vacation, Sick Leave, & Other Compensated Absences - The Township does have an agreement with its full-time employee which requires the payment of compensation during absence from duty. The full-time employee receives the accumulation of one sick day per month, which rolls over and accumulates indefinitely. In addition to this, the employee accumulates fifteen days of vacation that must be used during the year or are forfeited.

Capital Assets - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	40 years
Buildings & Building Improvements	20 to 50 years
Machinery & Equipment	3 to 25 years

Long-Term Obligations - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Township of Deerfield
Notes to the Financial Statements
For The Year Ended March 31, 2005

Accounting Changes

GASB Statement No. 34 – Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.
- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the Township as well as assets previously reported in the General Fixed Assets Account Group. In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

2. Stewardship, Compliance, and Accountability

Budgetary Information

The Township is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

In the body of the financial statements, the Township actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is used by the Township Council as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis, which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level. Budgets for the General Fund and the Special Revenue Funds are presented in the required supplemental information.

Township of Deerfield
Notes to the Financial Statements
For The Year Ended March 31, 2005

During the year ended March 31, 2005, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
<u>General Fund</u>			
Township Board	\$ 21,800	\$ 24,454	\$ 2,654
General Office	44,800	51,821	7,021
Clerk	30,000	30,665	665
Treasurer	40,110	46,295	6,185
Supervisor	27,600	28,689	1,089
Assessor	24,100	26,937	2,837
Building & Grounds	98,120	98,187	67
Planning & Zoning	5,150	7,580	2,430
Law Enforcement	110,950	111,106	156
Construction Code Authority	4,000	4,444	444
Roads & Drains	5,000	5,143	143
Recycling	4,400	9,408	5,008
Transfers Out	41,515	203,075	161,560
<u>Cemetery Fund</u>			
Township Board	200	368	168
<u>Fire Department Fund</u>			
Wages & Payroll Taxes	41,550	49,324	7,774
Operating Supplies	16,008	25,545	9,537
Repairs & Maintenance	4,500	6,108	1,608
Debt Service - Interest	0	12,705	12,705

During the year ended March 31, 2005, a budget was not adopted for the following fund:

Road Resurfacing Debt Service Fund

3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental</u> <u>Activities</u>	<u>Fiduciary -</u> <u>Trust &</u> <u>Agency Funds</u>	<u>Total</u> <u>Primary</u> <u>Government</u>
Cash & Cash Equivalents	\$ 934,226	\$ 7,621	\$ 941,847

Township of Deerfield
Notes to the Financial Statements
For The Year Ended March 31, 2005

The Township's deposits are in accordance with statutory authority. As of March 31, 2005, the balance sheet carrying amount of cash deposits was \$941,847. The bank balance as of March 31, 2005, was \$941,847, of which \$200,000 was covered by FDIC insurance.

All cash deposits and investments of the Township are held by the Township in the Township's name.

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

	Category			Carrying Value	Market Value
	(1)	(2)	(3)		
Investments	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Government Securities	-	-	-	-	-
Total Investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The cash and investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1 Insured or registered, or securities held by the Township or its agent in the Township's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Township's name.

4. Property Taxes

The Township is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of December of the levy year and may be paid by the following February 14.

The Township levied the following taxes:

General Government Services 1.3185 mills

Special Assessment District:

Fire Protection / Police Equipment:

Per Dwelling, Commercial Building, Industrial Building	\$38.00
Vacant Land with Garage or Shed	\$11.00

Township of Deerfield
Notes to the Financial Statements
For The Year Ended March 31, 2005

5. Capital Assets

Capital Assets activity of the Township's governmental activities (and business-type) was as follows:

	Balance April 1, 2004	Additions	Disposals & Adjustments	Balance March 31, 2005
Governmental Activities:				
Capital Assets Not Being Depreciated:	\$ 52,923	\$ 0	\$ 0	\$ 52,923
Capital Assets Being Depreciated:				
Buildings & Improvements	\$ 1,122,377	\$ 28,193	\$ 0	\$ 1,150,570
Fire Equipment	563,522	0	0	563,522
Office Equipment	0	6,105	0	6,105
Total Capital Assets being Depreciated	1,685,899	34,298	0	1,720,197
Accumulated Depreciation:				
Buildings & Improvements	530,021	26,415	0	556,436
Fire Equipment	96,496	23,890	0	120,386
Office Equipment	0	611	0	611
Total Accumulated Depreciation	626,517	50,916	0	677,433
Net Capital Assets being Depreciated	\$ 1,059,382	\$ (16,618)	\$ 0	\$ 1,042,764
Net Capital Assets	\$ 1,112,305	\$ (16,618)	\$ 0	\$ 1,095,687

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 16,172
Public Safety	29,077
Public Works	5,667
Total Governmental Activities	<u>\$ 50,916</u>

6. Deficit Fund Balance or Retained Earnings Balances of Individual Funds

None

7. Comparative Data

Comparative total data for the prior year has not been presented.

Township of Deerfield
Notes to the Financial Statements
For The Year Ended March 31, 2005

8. Long -Term Debt

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds & Contracts						
LCBT Bonds Payable - Road Resurfacing						
Amount of Issue - \$85,000		\$5,000 -				
Maturing through 2012	3.80%	\$10,000	\$ 80,000	\$ (5,000)	\$ 75,000	\$ 5,000
Lapeer County Road Commission - Road Gravel						
Amount of Issue - \$500,000	4.90% -					
Maturing through 2007	7.00%	\$50,000	\$ 200,000	\$ (50,000)	\$ 150,000	\$ 50,000
Old National Leasing - 2000 Fire Truck						
Amount of Issue - \$149,000		\$9,501 -				
Maturing through 2009	5.00%	\$18,754	\$ 101,007	\$ (14,627)	\$ 86,380	\$ 15,373
Marquette Bank - 2003 Fire Truck						
Amount of Issue - \$129,850		\$12,309 -				
Maturing through 2011	4.23%	\$19,077	\$ 129,850	\$ (12,309)	\$ 117,541	\$ 14,667
Total Governmental Activities			\$ 510,857	\$ (81,936)	\$ 428,921	\$ 85,040

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:

<u>Years Ending March 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 85,040	\$ 18,490	\$ 103,530
2007	91,480	14,471	105,951
2008	92,990	10,157	103,147
2009	44,572	6,970	51,542
2010	46,231	4,931	51,162
2011-2015	68,336	4,808	73,144
Total	\$ 428,649	\$ 59,827	\$ 488,476

9. Long-Term Lease – GMAC Smart Lease Agreement

The Township entered into a long-term lease agreement for a 2005 GMC Sierra 150 Pickup. The first payment in the amount of \$309.17 is due on March 29, 2005. Thirty-five payments of \$309.17 follow the first payment and are due on the 29th of each month. The total of all monthly payments is \$11,130.12.

10. Post Employment Benefits

The Township does not provide any post employment benefits.

11. Pension Plan

The Township has a defined contribution plan covering all elected officials and full-time employees. The Township contributes 25% of each employee's annual salary plan. Pension expense for the fiscal year ended March 31, 2005, was \$19,997.50.

Township of Deerfield
Notes to the Financial Statements
For The Year Ended March 31, 2005

12. Building Permits

The Township does not issue building permits. Building permits are issued by the Construction Code Authority, which is a local governmental unit.

13. Interfund Receivables, Payables, & Transfers

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due from other funds" or "Due to other funds" on the balance sheet. The amounts of interfund receivables and payables are as follows:

	<u>Due From Other Funds</u>		<u>Due To Other Funds</u>
General Fund	\$ 525	Tax Collection Fund	\$ 525
Trust & Agency Fund	44	General Fund	44
Total	<u>\$ 569</u>		<u>\$ 569</u>

Interfund Transfers reported in the Fund Statements are as follows:

	<u>Operating Transfers In</u>		<u>Operating Transfers Out</u>
Fire Department Fund	\$ 12,353	General Fund	\$ 12,353
Revolving Improvement Fund	190,722	General Fund	190,722

14. Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Township has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

Required Supplemental Information

Township of Deerfield
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Year Ended March 31, 2005

	General Fund			
	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property Taxes	\$ 123,780.00	\$ 135,780.00	\$ 228,625.16	\$ 92,845.16
State Shared Revenues	400,000.00	400,000.00	387,676.00	(12,324.00)
Charges for Services	7,800.00	7,800.00	12,472.80	4,672.80
Interest Earnings	4,000.00	4,000.00	6,860.04	2,860.04
Hall Rent & Franchise Fees	30,000.00	30,000.00	30,939.80	939.80
Other Revenues	5,200.00	5,200.00	12,594.49	7,394.49
Total Revenues	570,780.00	582,780.00	679,168.29	96,388.29
Expenditures				
General Government				
Township Board	20,900.00	21,800.00	24,453.97	(2,653.97)
General Office	43,100.00	44,800.00	51,821.37	(7,021.37)
Clerk	32,200.00	30,000.00	30,664.83	(664.83)
Treasurer	44,410.00	40,110.00	46,295.02	(6,185.02)
Supervisor	21,600.00	27,600.00	28,688.81	(1,088.81)
Assessor	25,000.00	24,100.00	26,936.93	(2,836.93)
Elections	5,000.00	6,200.00	6,044.33	155.67
Professional Services	24,000.00	19,000.00	17,857.50	1,142.50
Board of Review	1,400.00	1,400.00	723.28	676.72
Building & Grounds	98,120.00	98,120.00	98,186.93	(66.93)
Insurance & Bonds	35,000.00	47,000.00	39,402.50	7,597.50
Total General Government	350,730.00	360,130.00	371,075.47	(10,945.47)
Public Safety				
Planning & Zoning	6,100.00	5,150.00	7,579.79	(2,429.79)
Law Enforcement	110,000.00	110,950.00	111,105.68	(155.68)
Emergency Response	40,000.00	38,485.00	36,166.99	2,318.01
Construction Code Authority	4,000.00	4,000.00	4,444.00	(444.00)
Total Public Safety	160,100.00	158,585.00	159,296.46	(711.46)
Public Works				
Roads & Drains	4,400.00	5,000.00	5,143.37	(143.37)
Recycling	4,400.00	4,400.00	9,408.25	(5,008.25)
Great Lake Transit	1,500.00	3,500.00	3,458.00	42.00
Total Public Works	10,300.00	12,900.00	18,009.62	(5,109.62)
Recreation & Culture	2,000.00	2,000.00	1,489.59	510.41
Capital Outlay	6,500.00	6,500.00	6,105.25	394.75
Total Expenditures	529,630.00	540,115.00	555,976.39	(15,861.39)
Excess of Revenues Over (Under) Expenditures	41,150.00	42,665.00	123,191.90	80,526.90
Other Financing Sources (Uses)				
Operating Transfers In (Out)	(40,000.00)	(41,515.00)	(203,074.88)	(161,559.88)
Excess of Revenues & Operating Transfers In Over (Under) Expenditures & Operating Transfers Out	1,150.00	1,150.00	(79,882.98)	(81,032.98)
Fund Balance - Beginning of Year	-	-	545,451.84	545,451.84
Fund Balance - End of Year	\$ 1,150.00	\$ 1,150.00	\$ 465,568.86	\$ 464,418.86

Township of Deerfield
Required Supplemental Information
Budgetary Comparison Schedule
Cemetery Fund
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Grave Openings	\$ 5,000.00	\$ 5,000.00	\$ 1,925.00	\$ (3,075.00)
Lot Sales	3,000.00	3,000.00	2,895.00	(105.00)
Interest Earnings	-	-	55.55	55.55
Other Revenues	2,500.00	2,500.00	3,608.20	1,108.20
<u>Total Revenues</u>	<u>10,500.00</u>	<u>10,500.00</u>	<u>8,483.75</u>	<u>(2,016.25)</u>
<u>Expenditures</u>				
Grave Openings	3,000.00	3,000.00	1,650.00	1,350.00
Repairs & Maintenance	7,300.00	7,300.00	5,152.98	2,147.02
Miscellaneous	200.00	200.00	367.90	(167.90)
<u>Total Expenditures</u>	<u>10,500.00</u>	<u>10,500.00</u>	<u>7,170.88</u>	<u>3,329.12</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	-	-	1,312.87	1,312.87
<u>Other Financing Sources</u>				
Operating Transfers In (Out)	-	-	-	-
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	-	-	1,312.87	1,312.87
<u>Fund Balance - Beginning of Year</u>	-	-	13,306.49	13,306.49
<u>Fund Balance - End of Year</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,619.36</u>	<u>\$ 14,619.36</u>

Township of Deerfield
Required Supplemental Information
Budgetary Comparison Schedule
Fire Department Fund
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Special Assessments	\$ 91,400.00	\$ 91,400.00	\$ 93,728.00	\$ 2,328.00
Charges for Services	12,608.00	12,608.00	8,917.50	(3,690.50)
Sale of Fixed Assets	20,000.00	20,000.00	16,561.75	(3,438.25)
Interest Earnings	-	-	195.57	195.57
Other Revenues	-	-	2,451.52	2,451.52
<u>Total Revenues</u>	<u>124,008.00</u>	<u>124,008.00</u>	<u>121,854.34</u>	<u>(2,153.66)</u>
<u>Expenditures</u>				
Wages & Payroll Taxes	41,550.00	41,550.00	49,323.59	(7,773.59)
Administration	4,950.00	4,950.00	4,241.01	708.99
Operating Supplies	16,008.00	16,008.00	25,544.92	(9,536.92)
Repairs & Maintenance	4,500.00	4,500.00	6,107.66	(1,607.66)
Capital Outlay	30,000.00	30,000.00	28,193.20	1,806.80
Debt Service - Principal	27,000.00	27,000.00	26,935.93	64.07
Debt Service - Interest	-	-	12,705.20	(12,705.20)
<u>Total Expenditures</u>	<u>124,008.00</u>	<u>124,008.00</u>	<u>153,051.51</u>	<u>(29,043.51)</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>-</u>	<u>-</u>	<u>(31,197.17)</u>	<u>(31,197.17)</u>
<u>Other Financing Sources</u>				
Operating Transfers In (Out)	-	-	12,352.92	12,352.92
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	<u>-</u>	<u>-</u>	<u>(18,844.25)</u>	<u>(18,844.25)</u>
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>115,044.01</u>	<u>115,044.01</u>
<u>Fund Balance - End of Year</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,199.76</u>	<u>\$ 96,199.76</u>

Township of Deerfield
Required Supplemental Information
Budgetary Comparison Schedule
Barnes Lake Fund
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Interest Earnings	\$ -	\$ -	\$ 375.65	\$ 375.65
Other Income	-	-	-	-
<u>Total Revenues</u>	<u>-</u>	<u>-</u>	<u>375.65</u>	<u>375.65</u>
<u>Expenditures</u>				
Public Works - Lake Weed Control	<u>37,947.00</u>	<u>37,947.00</u>	<u>31,424.34</u>	<u>6,522.66</u>
<u>Total Expenditures</u>	<u>37,947.00</u>	<u>37,947.00</u>	<u>31,424.34</u>	<u>6,522.66</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(37,947.00)</u>	<u>(37,947.00)</u>	<u>(31,048.69)</u>	<u>6,898.31</u>
<u>Other Financing Sources</u>				
Operating Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	<u>(37,947.00)</u>	<u>(37,947.00)</u>	<u>(31,048.69)</u>	<u>6,898.31</u>
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>115,171.68</u>	<u>115,171.68</u>
<u>Fund Balance - End of Year</u>	<u>\$ (37,947.00)</u>	<u>\$ (37,947.00)</u>	<u>\$ 84,122.99</u>	<u>\$ 122,069.99</u>

Township of Deerfield
Required Supplemental Information
Budgetary Comparison Schedule
Revolving Improvement Fund
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Interest Earnings	\$ -	\$ -	\$ 557.88	\$ 557.88
Other Income	-	-	-	-
<u>Total Revenues</u>	<u>-</u>	<u>-</u>	<u>557.88</u>	<u>557.88</u>
<u>Expenditures</u>				
Public Works - Road Maintenance	55,000.00	55,000.00	30,202.67	24,797.33
Debt Service - Principal	50,000.00	50,000.00	50,000.00	-
Debt Service - Interest	9,000.00	9,000.00	8,476.00	524.00
<u>Total Expenditures</u>	<u>114,000.00</u>	<u>114,000.00</u>	<u>88,678.67</u>	<u>25,321.33</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(114,000.00)</u>	<u>(114,000.00)</u>	<u>(88,120.79)</u>	<u>25,879.21</u>
<u>Other Financing Sources</u>				
Operating Transfers In (Out)	114,000.00	114,000.00	190,721.96	76,721.96
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	<u>(228,000.00)</u>	<u>(228,000.00)</u>	<u>102,601.17</u>	<u>330,601.17</u>
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>143,025.52</u>	<u>143,025.52</u>
<u>Fund Balance - End of Year</u>	<u>\$ (228,000.00)</u>	<u>\$ (228,000.00)</u>	<u>\$ 245,626.69</u>	<u>\$ 473,626.69</u>

Township of Deerfield
Required Supplemental Information
Budgetary Comparison Schedule
Police Equipment Fund
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Special Assessment	\$ 7,141.32	\$ 7,141.32	\$ 6,000.00	\$ (1,141.32)
Interest Earnings	-	-	129.46	129.46
<u>Total Revenues</u>	<u>7,141.32</u>	<u>7,141.32</u>	<u>6,129.46</u>	<u>(1,011.86)</u>
<u>Expenditures</u>				
Public Safety - Police Equipment Lease	<u>7,141.32</u>	<u>7,141.32</u>	<u>5,355.99</u>	<u>1,785.33</u>
<u>Total Expenditures</u>	<u>7,141.32</u>	<u>7,141.32</u>	<u>5,355.99</u>	<u>1,785.33</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	-	-	773.47	773.47
<u>Other Financing Sources</u>				
Operating Transfers In (Out)	-	-	-	-
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	-	-	773.47	773.47
<u>Fund Balance - Beginning of Year</u>	-	-	23,999.40	23,999.40
<u>Fund Balance - End of Year</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,772.87</u>	<u>\$ 24,772.87</u>

Township of Deerfield
Required Supplemental Information
Budgetary Comparison Schedule
Road Resurfacing Debt Service Fund
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Special Assessment	\$ -	\$ -	\$ 14,246.86	\$ 14,246.86
Interest Earning	-	-	72.73	72.73
Other Revenue	-	-	-	-
<u>Total Revenues</u>	<u>-</u>	<u>-</u>	<u>14,319.59</u>	<u>14,319.59</u>
<u>Expenditures</u>				
Debt Service - Principal	-	-	5,000.00	(5,000.00)
Debt Service - Interest	-	-	3,040.00	(3,040.00)
<u>Total Expenditures</u>	<u>-</u>	<u>-</u>	<u>8,040.00</u>	<u>(8,040.00)</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>-</u>	<u>-</u>	<u>6,279.59</u>	<u>6,279.59</u>
<u>Other Financing Sources</u>				
Operating Transfers In (Out)	-	-	-	-
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	<u>-</u>	<u>-</u>	<u>6,279.59</u>	<u>6,279.59</u>
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>23,376.10</u>	<u>23,376.10</u>
<u>Fund Balance - End of Year</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,655.69</u>	<u>\$ 29,655.69</u>

Other Supplemental Information

Township of Deerfield
Other Supplemental Information
Schedule of Indebtedness
March 31, 2005

Old National Leasing - 2000 Fire Truck

Dated: February 23, 1999
Original Issue: \$149,000

Interest Rate	Date of Maturity	Principal Outstanding March 31,		Annual Interest Payable
		2005	2004	
5.00%	07/15/04	\$ -	\$ 14,628	\$ 5,082
5.00%	07/15/05	15,373	15,373	4,337
5.00%	07/15/06	16,156	16,156	3,553
5.00%	07/15/07	16,980	16,980	2,730
5.00%	07/15/08	17,845	17,845	1,865
5.00%	07/15/09	18,754	18,754	956
<u>Total Contract Payable</u>		<u>\$ 85,108</u>	<u>\$ 99,736</u>	<u>\$ 18,523</u>

Marquette Bank - 2003 Fire Truck

Dated: December 24, 2002
Original Issue: \$129,850

Interest Rate	Date of Maturity	Principal Outstanding March 31,		Annual Interest Payable
		2005	2004	
4.23%	04/10/04	\$ -	\$ 12,309	\$ 7,623
4.23%	04/10/05	14,667	14,667	5,265
4.23%	04/10/06	15,324	15,324	4,608
4.23%	04/10/07	16,010	16,010	3,922
4.23%	04/10/08	16,727	16,727	3,205
4.23%	04/10/09	17,477	17,477	2,455
4.23%	04/10/10	18,259	18,259	1,673
4.00%	04/10/11	19,077	19,077	855
<u>Total Contract Payable</u>		<u>\$ 117,541</u>	<u>\$ 129,850</u>	<u>\$ 29,606</u>

Township of Deerfield
Other Supplemental Information
Schedule of Indebtedness
March 31, 2005

LCBT - Road Resurfacing

Dated: December 16, 2002
Original Issue: \$85,000

Interest Rate	Date of Maturity	Principal Outstanding March 31,		Annual Interest Payable
		2005	2004	
3.80%	04/01/04	\$ -	\$ 5,000	\$ 3,040
3.80%	04/01/05	5,000	5,000	2,850
3.80%	04/01/06	10,000	10,000	2,660
3.80%	04/01/07	10,000	10,000	2,280
3.80%	04/01/08	10,000	10,000	1,900
3.80%	04/01/09	10,000	10,000	1,520
3.80%	04/01/10	10,000	10,000	1,140
3.80%	04/01/11	10,000	10,000	760
3.80%	04/01/12	10,000	10,000	380
<u>Total General Obligation Bonds</u>		<u>\$ 75,000</u>	<u>\$ 80,000</u>	<u>\$ 16,530</u>

Lapeer County Road Commission - Road Gravel Bond

Dated: August 1, 1997
Original Issue: \$500,000

Interest Rate	Date of Maturity	Principal Outstanding March 31,		Annual Interest Payable
		2005	2004	
4.70%	08/01/04	\$ -	\$ 50,000	\$ 4,788
4.75%	02/01/05	-	-	3,613
4.75%	08/01/05	50,000	50,000	3,613
4.80%	02/01/06	-	-	2,425
4.80%	08/01/06	50,000	50,000	2,425
4.90%	02/01/07	-	-	1,225
4.90%	08/01/07	50,000	50,000	1,225
<u>Total General Obligation Bonds</u>		<u>\$ 150,000</u>	<u>\$ 200,000</u>	<u>\$ 19,314</u>
<u>Total Obligation Bonds & Contracts Payable</u>		<u>\$ 427,649</u>	<u>\$ 509,586</u>	<u>\$ 83,973</u>

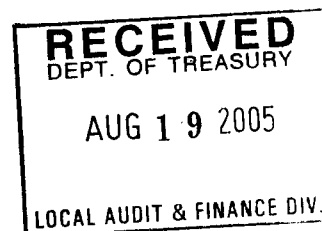
LEHN L. KING
CERTIFIED PUBLIC ACCOUNTANT

3531 MAIN STREET
MARLETTE, MICHIGAN 48453

Phone 989-635-3113
Fax 989-635-5580

June 29, 2005

Members of the Township Board
Township of Deerfield
Lapeer County, Michigan



In accordance with your request, I have made an examination of the financial statements of Township of Deerfield for the fiscal year ended March 31, 2005. During the course of my examination the following items came to my attention:

1. Per P.A. 621 of 1968, the board does not have authorization to spend monies that exceed the budget. The budget must be amended prior to it being exceeded. Amendments to the budget must be detailed as to the increase and decrease amount of each line item being changed. Also, a budget needs to be adopted for the Road Resurfacing Debt Service Fund. Each of the Township's funds should have its own, separate, adopted budget.
2. It is my recommendation that the Revolving Improvement Fund, which is funded by transfers from the General Fund and pays the road bills, should be combined with the General Fund. It does not receive property taxes, special assessments, or any other revenue source that would otherwise require it to be accounted for in a separate fund.

From an overall viewpoint, the Township of Deerfield is in good financial condition, and the financial records maintained by the Township Clerk are in good order.

I thank the Township officials and employees for the cooperation I received in the completion of this examination.

Sincerely,

Lehn King

Lehn L. King
Certified Public Accountant